

Cash Management

Presentation to Government Finance Committee
April 27, 2022

Retirement & Investment Officer (RIO)/State Investment Board (SIB)

Connie Flanagan, CFO/COO

Scott Anderson, CIO

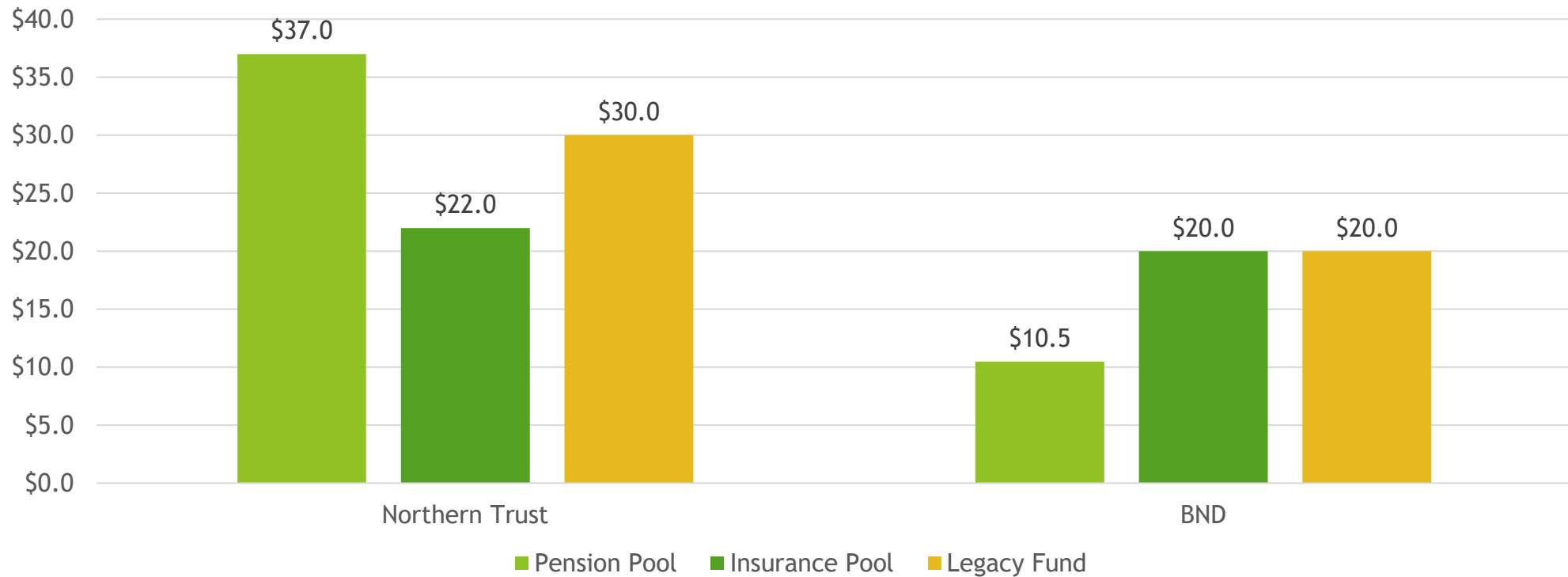
Jan Murtha, Executive Director

Retirement & Investment Office/State Investment Board (SIB) Cash Management

- ▶ SIB clients have an option in their Investment Policy Statement/Asset Allocation for a targeted allocation to cash
- ▶ If no target is indicated, a small balance (less than 1%) is maintained for short-term liquidity needs
 - ▶ Fee payments
 - ▶ Capital calls
 - ▶ Withdrawal requests
- ▶ Two cash accounts each are set up for the pension pool, insurance pool and Legacy Fund
 - ▶ Short-Term Investment Fund (STIF) at the custodian bank
 - ▶ Commingled vehicles managed by Northern Trust - rates vary - targeted to 90 day T-bill return
 - ▶ Used for cash for more immediate needs
 - ▶ More efficient for daily operating purposes - only requires transfer between accounts at custodian bank (no wires)
 - ▶ Account at BND
 - ▶ Slightly higher interest rate (guaranteed) - one month LIBOR plus 10 basis point (0.10%)
 - ▶ Used for excess cash balance beyond immediate needs
 - ▶ Less efficient for operating purposes - requires wires to be sent between BND and custodian bank (extra step in process)

Retirement & Investment Office/State Investment Board (SIB) Cash Management

Cash Allocations



Retirement & Investment Office/State Investment Board (SIB)

Cash Management

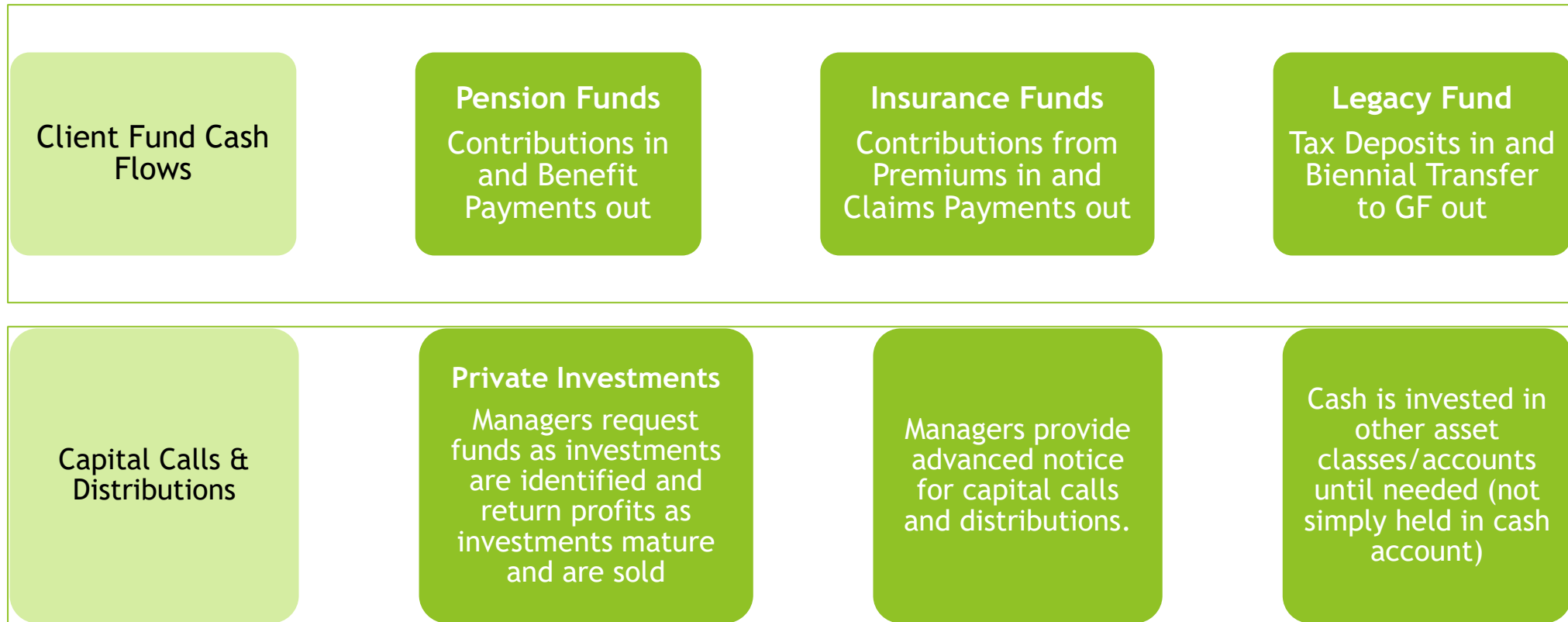
Investment Manager Portfolio Cash

- ▶ Each investment manager portfolio holds some cash for transactional purposes.
- ▶ Portfolio cash balances are held at the discretion of the portfolio manager.
 - ▶ Investment guidelines generally limit the amount of cash the manager can hold
 - ▶ Holding too much cash can be a drag on performance
 - ▶ Manager portfolio level returns are calculated on the entire balance in the portfolio, including cash
- ▶ The cash is held in the same custodian-managed cash funds described on the previous page but is part of the managers' allocations as opposed to the cash allocation.

Retirement & Investment Office/State Investment Board (SIB)

Cash Management

Cash Flows



Staff monitors available cash balances to ensure adequate liquidity - rebalancing done as needed.

Retirement & Investment Office/State Investment Board (SIB)

Cash Management

Potential Areas for Improvement

1. Ability to better manage end of biennium transfers to General Fund for Legacy Fund and Budget Stabilization Fund - may require statutory language changes
2. Install a collateral account for liquidity needs. Hold exposures with derivatives to reduce cash drag on plan returns
3. Sweep funds across state entities into a commingled cash fund that is allocated based on cash in, cash out and stable cash balances
4. Expand the cash fund clientele to include local communities.

Retirement & Investment Office/State Investment Board (SIB)

Client Funds as of December 31, 2021

Fair Value		Rates of Return (net of fees)										
		For Quarter Ended				FYTD	Annualized periods ended December 31, 2021					
		09/30/21	12/31/21	03/31/22	06/30/22	2022	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years
Total Assets Under Management	\$20,125,896,906											
<u>BENCHMARKS</u>												
S&P 500		0.58%	11.03%			11.67%	28.71%	26.07%	18.47%	16.55%	9.52%	10.65%
Bloomberg Aggregate		0.05%	0.01%			0.06%	-1.54%	4.79%	3.57%	2.90%	4.33%	5.29%
90 Day T-Bill		0.01%	0.01%			0.02%	0.05%	0.99%	1.14%	0.63%	1.29%	2.47%
Callan Public Plan Sponsors Database (Median-GROSS of Fees) **		0.36%	4.09%			4.47%	10.71%	11.27%	10.89%	8.59%	7.21%	8.65%

** Callan median returns are gross of fees due to lack of reporting to the database on a net of fee basis. Please note that all actual fund returns are net of fees.

	Fair Value	% of Pool	Rates of Return (net of fees)											
			For Quarter Ended					FYTD	Annualized periods ended December 31, 2021					
			09/30/21	12/31/21	03/31/22	06/30/22	2022	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years	
PENSION POOL PARTICIPANTS														
Teachers' Fund for Retirement	\$3,375,140,504	42.9%	0.37%	5.10%			5.49%	16.21%	15.39%	11.51%	10.05%	7.37%	7.86%	
Public Employees Retirement System	4,219,396,011	53.6%	0.29%	5.33%			5.63%	16.70%	15.60%	11.67%	10.11%	7.59%	8.20%	
Bismarck City Employee Pension Fund	\$132,177,186	1.7%	0.32%	4.50%			4.84%	13.82%	13.45%	10.25%	9.15%	7.19%	7.93%	
Bismarck City Police Pension Fund	\$53,878,750	0.7%	0.33%	4.83%			5.18%	15.15%	14.22%	10.75%	9.52%	7.27%	7.91%	
City of Grand Forks Pension Fund	\$83,893,273	1.1%	0.30%	5.59%			5.90%	17.19%	16.24%	12.02%	10.42%	*	*	
Grand Forks Park District Pension Fund	\$9,824,641	0.1%	0.07%	4.74%			4.80%	15.81%	15.14%	11.49%	10.29%	*	*	
Subtotal Pension Pool Participants	\$7,874,310,366	100.0%												

		Rates of Return (net of fees)										
	Fair Value	For Quarter Ended				FYTD	Annualized periods ended December 31, 2021					
INDIVIDUAL INVESTMENT ACCOUNTS		09/30/21	12/31/21	03/31/22	06/30/22	2022	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years
Legacy Fund	8,742,356,194	0.10%	3.64%			3.75%	11.28%	13.84%	9.87%	6.68%	*	*
Retiree Health Insurance Credit Fund	185,715,691	-0.96%	3.80%			2.80%	11.09%	15.60%	10.71%	9.71%	6.94%	7.81%
Job Service of North Dakota Pension Fund	95,431,780	-0.05%	1.23%			1.18%	3.52%	5.50%	4.92%	6.58%	5.98%	*

Retirement & Investment Office/State Investment Board (SIB) Client Fund

[illegible]